

CHAPTER III

3.1 Integrated Audit of Public Works Department (Roads & Bridges)

The mandate of the Public Works Department (Roads & Bridges) is to plan construct and maintain roads and bridges in the State. Chief Controlling Officer based integrated audit of the Department revealed weakness in the planning process, financial management works management, human resource management and internal control including vulnerabilities to fraud and corruption. The important audit findings are given below:

Highlights

- *Absence of Long term Perspective Plan, State Action Plan and District Action Plans in the State resulted in uneven planning and execution of projects. The overall increase in road length was only 14.60 per cent and conversion of un-surfaced roads to surfaced roads was 3.40 per cent during 2003 to 2009.*
(Paragraph 3.1.6)
- *There was non/short realisation of Sales Tax on Works Contract amounting to ₹11.75 crore and delay in deposit of tax realised amounting to ₹1.48 crore in the ten test checked divisions.*
(Paragraph 3.1.8.5 & 3.1.8.6)
- *Payments amounting to ₹10.10 crore were made on the basis of fictitious measurements recorded in the Measurement Books. Excess payments amounting to ₹3.73 crore were made due to duplication of entries in the Measurement Books and for work not actually executed.*
(Paragraph 3.1.10 & 3.1.11)
- *Joint physical verification of selected projects revealed several deficiencies in execution of projects as well as payments made for work not actually executed.*
(Paragraph 3.1.13)
- *Maintenance of records in most of the divisions test-checked was poor and several vital records like Register of Works, Works Abstract, Contractor's Ledger, Register of Measurement Books etc., were not maintained.*
(Paragraph 3.1.15)
- *Grade III & IV staff were entertained in excess of sanctioned strength, especially in Dimapur (318), Zunheboto (204) and Kohima (South) Division (183). Over and above this, the Department has engaged 1534 work charged employees on scale of pay and 5151 on fixed pay.*
(Paragraph 3.1.16)

- *There was no mechanism to watch transfer of funds to other divisions by Kohima (South) Division and funds amounting to ₹0.73 crore were not received in four divisions.*

(Paragraph 3.1.17)

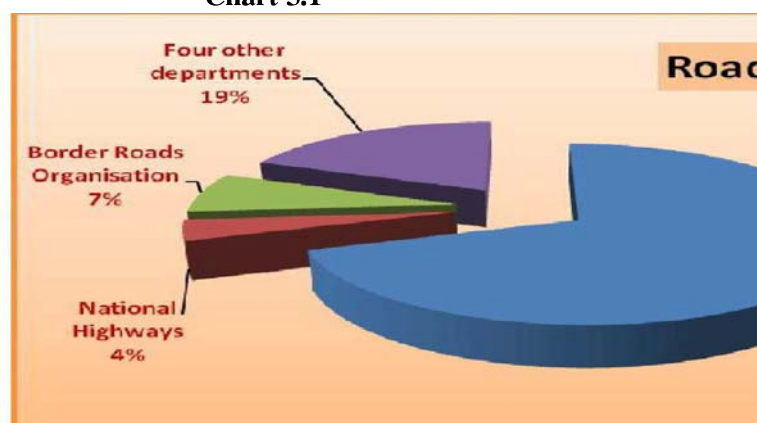
- *There were instances where payments were made either without entry in Cash Book or by recording higher/lower amounts than actually paid. ₹1.77 crore and ₹13.47 crore was drawn from Bank Account by Dimapur and Longleng divisions respectively, during 2010-11 without corresponding entries in the Cash Book.*

(Paragraph 3.1.17.2)

3.1.1 Introduction

Out of the total length of roads in Nagaland the share of roads under PWD (R&B) Department worked out to 70 per cent.

Chart 3.1



The Public Works Department (Roads & Bridges) is responsible for planning, construction and maintenance of roads and bridges under State Plan Schemes and Centrally Sponsored Schemes mainly under Non Lapsable Central Pool of Resources (NLCPR) North Eastern Council (NEC) and Pradhan Mantri Gram Sadak Yojana (PMGSY). Funds were also provided under Twelfth Finance Commission (TFC) Grant (Non-plan) for maintenance of roads.

3.1.2 Organisational set up

The Commissioner and Secretary (Works and Housing) is the administrative head of the Department at the Government level. The Engineer in Chief (Nagaland Public Works Department) is the head of the Department assisted by the Chief Engineer, PWD (R&B). The Department with headquarters at Kohima has 3 (three) zones headed by Addl. Chief Engineers with headquarters at Kohima Mokokchung and Tuensang. The Department comprises 5 (five) circles under Superintending Engineers with headquarters at Mokokchung, Tuensang Mon and two at Kohima. There are 22 (twenty two) Civil working divisions headed by Executive Engineers for construction and maintenance of

roads and bridges in the State. In addition there is a Research Laboratory Cell and a Traffic Engineering Cell headed by Executive Engineers functioning at Dimapur and Kohima respectively.

3.1.3 Audit objectives

The objectives of the integrated audit were to assess whether

- The Department had a proper system for planning;
- The budget estimates were reliable and the financial management was adequate and effective;
- There is a proper system of tendering contract works and project management in the Department;
- There existed a good quality control, monitoring and internal control mechanism in the Department;
- The vulnerability of the Department to fraud and corruption is controlled.

3.1.4 Audit criteria

The major criteria applied were as follows:

- Plan documents;
- Manuals and codes of the Government of Nagaland;
- Schedule of Rates;
- Scheme Guidelines;
- Detailed Project Reports;
- General Financial Rules/Central Treasury Rules;
- Departmental Codes and Manuals, Policies, Rules and Regulations.

3.1.5 Audit coverage and methodology

Integrated audit was conducted during May to October 2011 covering the period 2006-11. Eleven (11) units including the Chief Engineer, PWD (R&B) and 10¹ out of 22 Civil working divisions were taken up for audit. Major projects executed by the selected divisions were taken up for detailed work analysis and joint physical verification along with the departmental officers. The list of 21 projects selected for test check and the sites selected for joint inspection are shown in **Appendix-3.1**. The selection of divisions and projects was done by 'Stratified Monetary Unit' of sampling. An 'Entry Conference' was held (23 May 2011) with the Chief Engineer Roads and Bridges and a representative from the Government to discuss the audit objectives and the audit criteria. Records pertaining to the period from April 2006 to March 2011 were examined in the Government Secretariat office of the Engineer in Chief (R&B) and selected working divisions. The audit findings were discussed with the Commissioner and Secretary (Works & Housing) in an exit conference (21 February 2012) and his views along with the Department's replies have been incorporated in the report at appropriate places.

¹ (i) Kohima (South) (ii) Chiephobozou (iii) Dimapur (iv) Peren (v) Wokha (vi) Longleng (vii) Mokokchung (viii) Tuensang (ix) Zunheboto and (x) Phek Divisions.

Audit findings

3.1.6 Planning

Proper planning is the key for successful execution of road projects. Though the PWD (R&B) with 70 per cent of roads under its control is the major player in the development of roads in Nagaland, the Department has no Long Term Perspective Plan, State Action Plan or District Action Plans for development of roads in the State. The lack of proper planning is reflected in the performance of the State as a whole in developing additional road length in the State. According to the latest statistics available, between the period from 2003 and 2009, the overall increase in road length was only 14.60 per cent. Conversion of unsurfaced roads to surfaced roads remained at 3.40 per cent as detailed below:

Table 3.1: Length of roads under the Department (in km)

Year	2003	2009	Percentage Increase
Surfaced	6225.62	6441.55	3.40
Unsurfaced	7145.83	8879.67	24.30
Total Length	13373.45	15321.22	14.60

(Source: Statistical Handbook of Nagaland 2009)

The planning activity of the Department is limited to Annual Works Programmes where the works to be taken up during a particular financial year are listed for submission to the Government for approval.

Despite requisition and constant reminders, the Department could not furnish the details of all the works taken up and completed by them during 2006-11. They could only furnish the works taken up and completed under Non Lapsable Central Pool of Resources and North Eastern Council. In the absence of complete data, audit could not make a comparative study of the road length completed during 2006-11 vis-a-vis the expenditure incurred.

During Exit Conference (21 February 2012), the Commissioner & Secretary while accepting the fact stated that planning needs to be improved and that an exercise to map all the roads in the State, now underway, will facilitate the process of planning.

3.1.7 Financial Management

The budget allocation for PWD (R&B) is made under 'Grant No.58-Roads and Bridges'. Projects are funded by the State Government through the State Budget (State Plan) and the Central Government (Centrally Sponsored Schemes) through Ministry of Shipping & Road Transport & Highways (MoRTH) Ministry of Development of North Eastern Region (MoDONER) Ministry of Rural Development (MoRD) and National Highway Authority of India (NHAI). Some projects have also been funded under negotiated loan from the National Bank for Agriculture and Rural Development (NABARD) and Life Insurance Corporation of India (LIC). Further funds for maintenance under TFC are provided under Non-Plan. Budget allocation expenditure there against and savings/excess during the period from 2006-07 to 2010-11 are given below:

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Table 3.2: Details of revenue and capital expenditure

Year		Revenue		Capital		Total		
		Budget Provision	Expenditure	Budget Provision	Expenditure	Budget Provision	Expenditure	Savings (-)/ Excess (+)
2006-07	Plan	--	--	158.04	169.45	158.04	169.45	11.41
	Non-plan	77.77	63.44	2.87	2.87	80.64	66.30	(-)14.34
	Total	77.77	63.44	160.91	172.32	238.68	235.75	(-)2.93
2007-08	Plan	--	--	186.62	191.82	186.62	191.82	5.20
	Non-plan	84.27	83.13	3.46	0.00	87.73	83.13	(-)4.60
	Total	84.27	83.13	190.08	191.82	274.35	274.95	0.60
2008-09	Plan	--	--	90.25	90.09	90.25	90.09	(-)0.16
	Non-plan	94.60	96.59	30.39	25.25	124.99	121.84	(-)3.15
	Total	94.60	96.59	120.64	115.34	215.24	211.93	(-)3.31
2009-10	Plan	--	--	284.42	262.50	284.42	262.50	(-)21.92
	Non-plan	100.56	104.01	0.00	0.00	100.56	104.01	3.45
	Total	100.56	104.01	284.42	262.50	384.98	366.51	(-)18.47
2010-11	Plan	--	--	298.66	341.89	298.66	341.89	43.23
	Non-plan	104.94	106.58	0.00	0.00	104.94	106.58	1.64
	Total	104.94	106.58	298.66	341.89	403.60	448.47	44.87
Total	Plan	--	--	1017.99	1055.75	1017.99	1055.75	37.76
	Non-plan	462.14	453.75	36.72	28.12	498.86	481.86	(-)17
Grand total		462.14	453.75	1054.71	1083.87	1516.85	1537.61	20.76

(Source: Detailed Appropriation Accounts)

The total budget of the Department showed an increasing trend from ₹238.68 crore to ₹403.60 crore during the period from 2006-11 except for 2008-09 when it declined to ₹215.24 crore. Budget provision under Plan also showed an increasing trend and rose from ₹158.04 crore to ₹298.66 crore during the period except for 2008-09 when it declined to ₹90.25 crore. This steep decline was due to decrease of provision under State Plan and CSS. Budget under non-plan rose from ₹80.64 crore in 2006-07 to ₹124.99 crore in 2008-09 and declined to ₹104.94 crore in 2010-11. This sharp increase is attributable to increase in provision made under the head 'Execution'.

Total expenditure also showed a rising trend from ₹235.75 crore in 2006-07 to ₹448.47 crore in 2010-11 except during 2008-09 when it declined to ₹211.93 crore. Plan expenditure also showed a rising trend from ₹169.45 crore in 2006-07 to ₹341.89 crore in 2010-11 except for 2008-09 when it declined to ₹90.09 crore. This sharp decline was due to less expenditure under State Plan and CSS. Non-plan expenditure also rose from ₹66.30 in 2006-07 to ₹121.84 crore in 2008-09 and thereafter came down to ₹106.58 crore in 2010-11. This sharp increase is attributable to the increase in expenditure under the head 'Execution'.

There was excess expenditure over budget provision under 'Plan' in all the years except during 2008-09 in which there were savings of ₹0.16 crore. The more significant excess under Plan was ₹21.92 crore during 2009-10 and ₹43.23 crore during 2010-11 which was due to the Department incurring expenditure on works under CSS for which sanctions were received at the fag end of the year.

Under 'Non-plan' there were savings of ₹14.34 crore in 2006-07, ₹4.60 crore in 2007-08 and ₹3.15 crore in 2008-09 and excess of ₹3.45 crore in 2009-10 and ₹1.64 crore in 2010-11. These savings were despite the fact that expenditure was incurred for payment of wages, traveling allowances and maintenance of motor vehicles from the budget from

salary head without provision as detailed in paragraphs 3.1.8.1, 3.1.8.2 and 3.1.8.3. Thus it is evident that provisions made under salary in all the years were unrealistic and inflated.

The Department accepted the facts during exit conference (21 February 2012).

3.1.7.1 Re-appropriations

A review of the budget provisions made at the sub-head level showed that re-appropriations were made at the end of the year during 2006-11 as detailed below:

Table 3.3: Details of re-appropriations made

Year	Total units of appropriation (sub-heads)	Number of units in which re-appropriations were made
2006-07	15	14 (No provision under 1 head)
2007-08	16	14 (No provision under 2 heads)
2008-09	17	15 (No provision under 2 heads)
2009-10	16	13 (No provision under 3 heads)
2010-11	13	11 (No provision under 2 heads)

(Source: Detailed Appropriation Accounts)

It can be seen from the above that there were large scale re-appropriations in all the units which indicated that the preparation of budget was unrealistic.

3.1.7.2 Non-reconciliation of figures of expenditure

According to the arrangement in place, it is the responsibility of the Chief Controlling Officer to reconcile the departmental figures of expenditure with the figures in the books of the Treasury and the Accountant General (Accounts & Entitlement) regularly so as to have proper control over the flow of expenditure as well as to detect any misclassification misappropriation or fraud and to incorporate necessary corrections wherever necessary before finalisation of annual accounts. It was however, observed that the Department had reported for reconciliation only once (2010-11) during the period from 2006-07 to 2010-11. As a consequence of non-reconciliation, there were wide variations in the expenditure figures reported in the Appropriation Accounts and the Departmental figures in all the years as shown below:

Table 3.4: Variation between departmental figures and Appropriation Accounts
(₹ in crore)

Year	Departmental figures	Figures as per Appropriation Accounts	Difference
2006-07	239.78	235.75	4.03
2007-08	281.55	274.95	6.60
2008-09	220.56	211.93	8.63
2009-10	384.98	366.51	18.47
2010-11	413.98	448.47	(-) 34.49

In case of Finance Commission Grant for maintenance work, there was huge variation ranging up to 100 per cent between the appropriation accounts and departmental figures as shown below:

Table 3.5: Variation between departmental figures of expenditure and Appropriation Accounts under TFC (Non-plan)

(₹ in crore)					
Year	Budget provision	Departmental figures	Figures as per Appropriation Accounts	Difference	Percentage
2006-07	30.22	30.22	11.53	(-) 18.69	-61.8
2007-08	30.22	30.22	3.94	(-) 26.28	-86.6
2008-09	30.22	30.22	31.26	(+) 1.04	+3.4
2009-10	30.22	30.22	0.13	(-) 30.08	-99.5
2010-11	--	--	--	--	--
Total	120.88	120.88	46.86		

3.1.7.3 Rush of expenditure

Expenditure should be incurred in a phased manner throughout the financial year and rush of expenditure at the end of the year should be avoided. Test check of records revealed that expenditure in the month of March ranged between 21.97 per cent and 54.45 per cent as indicated in the table below:

Table 3.6: Expenditure during March

(₹ in crore)			
Year	Total expenditure for the year	Expenditure incurred in March	Percentage
2006-07	235.75	111.74	47.40
2007-08	274.95	60.42	21.97
2008-09	211.93	52.63	24.83
2009-10	366.51	199.57	54.45
2010-11	448.47	132.69	29.59

(Source: Detailed Appropriation Accounts)

The Commissioner & Secretary stated during exit conference (21 February 2012) that this was due to the entrenched system of sending proposals late or that it was held up in the Finance/Planning Departments.

3.1.7.4 Delay in release of funds

As per para 8.6 of NLCPR² Guidelines funds released from the Pool must be transmitted to the implementing agency/project authority by the State Government within 15 days from the date of release of funds from Government of India and a certificate to this effect should be sent to the Ministry of Development of North Eastern Region by the State Planning Department. However the sanction order of the Ministry states that the State Finance Department/Planning Department shall ensure transmission of the amount under release to the Department/Implementing Agency concerned within 30 days from the date of release by the Government of India. The State Government had not even adhered to the 30 days stipulated in the sanction orders. Delays noticed in release of funds to the concerned executing divisions in respect of major projects are shown below:

² Non Lapsable Central Pool of Resources-A Central pool of resources created by the Planning Commission out of the unspent balance amount of stipulated 10 per cent of Gross Budgetary Support of Ministries/departments to support infrastructure development projects in the North East.

Table 3.7: Delay in release of funds to divisions

Name of Division	Name of work	Installment	Date of release by GOI	Date of release by State Finance Department	Delay (No. of days)
Chiephobozou	Upgradation of road from Rusoma to Kijumetouma (36 km)	1 st	12.2007	29.02.2008	60
		2 nd	30.09.2008	11.11.2008	40
		3 rd	30.09.2009	26.11.2009	56
	Construction of T Beam Girder Double Lane Bridge of IRC Class 'A' over river Dzu-u on Rusoma to Kijumetouma road	1 st	19.12.2008	28.03.2009	89
		2 nd	15.10.2009	10.03.2010 & 23.03.2010	146
		3 rd	16.06.2010	07.09.2010	84

(Source: Departmental records)

3.1.7.5 Unauthorised deduction from NLCPR funds

As per Para 4.1 (viii) of NLCPR Guidelines, no staff component – either work charged or regular – shall be created by the project implementing authorities from NLCPR funds. All such requirement should be met from redeployment of surplus manpower in the department. It was however, seen that the Finance Department, Government of Nagaland had deducted ₹3.45 crore provided by GOI on account of Work Charged employees. Details of the deductions made from major NLCPR projects in the test-checked divisions are as shown below:

Table 3.8: Deductions from sanctioned amount

SI No.	Name of division	Name of work	Total amount released	Amount deducted	Net amount released
(₹ in crore)					
1.	Chiephobozou	Upgradation of road from Rusoma to Kijumetouma (36 Km) under NLCPR	21.84	1.09	20.75
2.	Chiephobozou	Construction of T Beam Girder Double Lane Bridge of IRC Class 'A' over river Dzu-u on Rusoma to Kijumetouma road	5.44	0.21	5.23
3.	Dimapur	Upgradation of Dimapur-Niuland Road (28 km) under NLCPR	23.07	0.29	22.78
4.	Tuensang	Tuensang to Longleng (24 km) under NLCPR	4.29	0.21	4.08
5.	Phek	Upgradation of road from Phek to Chozuba	16.11	0.78	15.33
6.	Zunheboto	Construction and improvement of road from Zhekiye to Hokiye	12.45	0.33	12.12
7.	Chiephobozou	Construction and improvement of road from Toupheema to Kasha	4.31	0.22	4.09
8.	Tuensang	Construction of road from Noklak to Thonoknyu via Sanglao	6.33	0.32	6.01
Total			93.84	3.45	90.39

It was further seen that work orders for lesser amounts than that envisaged in the approved DPR/sanction for civil works were issued in several cases. Details of sample cases where work orders were issued for lesser amounts amounting to ₹10.59 crore are shown below:

Table 3.9: Deductions from amount sanctioned for Civil Works

Sl No.	Name of division	Name of work	Total amount sanctioned for civil works	Amount of work order	Difference
				(₹ in crore)	
1.	Chiephobozou	Upgradation of road from Rusoma to Kijumetouma (36 Km) under NLCPR	21.84	19.60	2.24
2.	Zunheboto	Construction and improvement of road from Zhekiye to Hokiye	16.60	15.65	0.95
3.	Chiephobozou	Construction and improvement of road from Touphema to Kasha	5.75	5.45	0.25
4.	Mokokchung	Improvement/upgradation of road for Longkhum to Alibi via Mangmetong	17.29	15.54	1.75
5.	Phek	Construction of road from Phek to Chozuba	17.47	15.78	1.69
6.	Zunheboto	Construction and upgradation of road from Old Phek to Satakha via Khuza	28.32	24.61	3.71
Total			107.27	96.63	10.59

On enquiry, it was stated by the Department that the deductions were made on account of percentage charges. However, their reply is not tenable as no provision had been made in the DPR for percentage charges and the amount sanctioned and released was based on the actual quantum of work to be executed. Thus, deductions have adversely impacted the execution of the works as this amount sanctioned for the civil work was not available for actual execution.

The Department accepted the facts during exit conference (21 February 2012) and stated that corrective action would be taken in respect of deductions made during issue of work orders.

3.1.8 Financial irregularities:

The financial irregularities noticed in audit are discussed in the paragraphs that follow:

3.1.8.1 Expenditure on wages without budget provision

It was seen that two divisions had incurred expenditure on wages without budget provision from funds provided under Salary as detailed below:

Table 3.10: Diversion of funds under salary for payment of wages

Sl No.	Name of division	Year	Expenditure on wages without budget provision (₹ in lakh)
1.	Peren	2008-09	0.95
		2009-10	0.62
		2010-11	2.68
2.	Longleng	2008-09	10.80
		2009-10	4.60
		2010-11	51.08

It was seen that Longleng Division had drawn ₹10.80 lakh in August September and December 2008, ₹4.60 lakh in July 2009 and ₹51.08 lakh in March 2011 for payment of wages. No records of actual payment of wages (APRs etc), though, could be furnished to audit.

3.1.8.2 Travelling Expenditure drawn from budget under salary

Irregular drawal of travelling allowance amounting to ₹49.40 lakh from salary head was noticed in six divisions. The excess amount drawn ranged from ₹0.15 lakh to ₹10.13 lakh as detailed below:

Table 3.11: Details of irregular drawal of travelling expenditure from salary head
(₹ in lakh)

Sl No.	Name of division	Year	Budget allocation under TE	Actual expenditure	Excess
1.	Dimapur	2010-11	1.20	2.35	1.15
2.	Peren	2008-09	0.70	1.53	0.83
		2009-10	1.30	11.43	10.13
		2010-11	0.75	1.85	1.10
3.	Wokha	2007-08	1.00	4.09	3.09
		2008-09	0.65	3.50	2.85
		2009-10	1.20	3.39	2.19
		2010-11	0.70	8.18	7.48
4.	Tuensang	2007-08	2.30	3.92	1.62
		2008-09	1.50	4.94	3.44
		2009-10	1.00	3.91	2.91
		2010-11	0.80	4.87	4.07
5.	Zunheboto	2008-09	0.70	4.73	4.03
		2009-10	0.75	1.78	1.03
		2010-11	0.70	2.70	2.00
6.	Phek	2008-09	0.80	2.13	1.33
		2009-10	1.80	1.95	0.15
Total					49.40

EEs of the above mentioned divisions stated that the excess expenditure on TA was due to insufficient provision made in the budget.

3.1.8.3 Excess expenditure on Motor Vehicles

Scrutiny of records in two divisions revealed that excess expenditure amounting to ₹10.58 lakh was incurred under the head 'Maintenance of Motor Vehicles' as shown below:

Table 3.12: Details of excess expenditure on Maintenance of Motor Vehicles

Sl No.	Name of division	Year	Budget provision	Actual expenditure	Excess
1.	Peren	2008-09	1.10	2.35	1.25
		2009-10	2.50	7.24	4.74
		2010-11	4.02	5.19	1.17
2.	Wokha	2007-08	0.85	1.68	0.83
		2008-09	0.80	2.69	1.89
		2009-10	0.70	1.40	0.70
Total					10.58

3.1.8.4 Pay arrears drawn without supporting records

Test check of records in Longleng Division revealed that an amount of ₹43.72 lakh was drawn from the treasury against pay arrears during the period from August 2007 to March 2011. However, no orders from the competent authority due and drawn statements or APRs could be furnished to audit.

On being pointed out during exit conference (21 February 2012) that these irregularities were facilitated due to inflated budget provision under salary, the Commissioner & Secretary stated that remedial action will be taken.

3.1.8.5 Diversion/non remittance of Sales Tax on Works Contract

Section 92(3) of Nagaland Value Added Tax (NVAT) Act, 2005 read with NVAT Rule 2005 as amended from time to time provided that tax on work contract should be deducted from the contractor's bill at source at the rate of four *per cent* on the value of total turn over of works contract. The NVAT Act further provides that the person making such deductions at source (Drawing and Disbursing Officer) shall deduct and deposit the whole amount within ten days from the expiry of each calendar month into Government Treasury or designated bank through challan. Further, according to provisions of the Act the divisions not remitting the sales tax recovered from works contract are liable to pay interest at two *per cent* per month and also penalties envisaged under Section 42 of the Act. During test check of records in divisions, the following diversions/non-remittances were noticed in audit:

(i) Test check of records in Longleng Division revealed that an amount of ₹48.12 lakh realised from various contractors on account of Sales Tax on works contract was utilised for departmental work 'Improvement of Cheng road Longleng-Aboi Longleng-Tuensang, Longleng-Changtongya' in March 2010. Further expenditure sanction estimates, Measurement Books etc. in respect of the work could not be furnished to audit. No evidence that this utilisation was temporary or that the amount was subsequently deposited into Government Account could be furnished.

(ii) During test-check of records in Longleng Division it was also seen that Government revenue collected (May 2008 to March 2011) on account of Sales Tax on works contract amounting to ₹72.08 lakh was deposited into the Head of Account-'8443-Civil Deposit' instead of '0040-Taxes on Sales, Trade etc.'.

The division could not furnish any reasons for this irregular practice.

(iii) Scrutiny of records in the following test-checked divisions revealed that Sales tax on works contract realised from contractors amounting to ₹147.63 lakh was not deposited into Government account. The delays ranged from 4 to 36 months as shown below:

Table 3.13: Non-remittance of sales tax on works contracts recovered from contractors

Sl. No.	Name of division	Amount (₹ in lakh)	Duration of delay	Remarks
1.	Dimapur	33.97	23 months	Not deposited till July 2011
2.	Peren	31.76	4 months	Not deposited till July 2011
3.	Wokha	17.54	36 months	Not deposited till August 2011.
4.	Longleng	14.59	17 months	Not deposited till August 2011.
5.	Phek	49.77	23 months	Not deposited till October 2011
	Total	147.63		

3.1.8.6 Non/short realisation of Sales Tax on Works Contract

Section 92 (3) of the Nagaland Value Added Tax Act, 2005 provides that any person responsible for paying any sum to any dealer for execution of a works contract referred to

in Section 8 wholly or partly in pursuance of a contract shall at the time of payment of such sum in cash or by issue of a cheque or draft or any other mode of payment deduct an amount towards tax equal to four *per cent* of such sum being paid in respect of such works contract. Further Government of Nagaland, Office of the Asstt. Commissioner of Taxes, Kohima vide their letter No.ACT/KZ/TAX/78 dated 14.02.2006 notified all Government departments that construction and contract work bills should be released or payments made after deduction of tax on works contract at four *per cent* with effect from 01.01.2005. Government of Nagaland Finance Department, through a notification (May 2009) had also fixed the responsibility on the Treasury Officers for ensuring that tax on works contract are deducted at the time of passing of the bills for payment and that bills not reflecting the amount of tax on works contract should be rejected.

Test-check of records furnished by the divisions revealed that deduction on this account was either not made at all or made at lower rates. A total amount of ₹11.75 crore was not realised/short realised in the test test-checked divisions as shown below:

Table 3.14: Details of non-deduction/short deduction of Sales Tax

Sl. No.	Name of division	Non/Short realisation of WCT (₹ in crore)
1.	Chiephobozou	0.35
2.	Dimapur	1.16
3.	Peren	4.43
4.	Wokha	1.82
5.	Longleng	1.00
6.	Mokokchung	1.21
7.	Tuensang	0.06
8.	Zunheboto	0.74
9.	Phek	0.98
	Total	11.75

The major cases of non/short realisation of sales tax on works contract on up to date payments made in respect of the selected projects are given in **Appendix-3.2**.

The Commissioner & Secretary stated during exit conference (21 February 2012) that instructions/orders would be issued to regulate the collection and deposit of Government revenue.

3.1.8.7 Diversion of funds

Para 2 (g) of administrative approval of the MoDONER stipulates that the funds sanctioned for NLCPR projects shall be utilised within specified time and strictly for the purpose for which they are being sanctioned and no diversion of funds is allowed.

Scrutiny of records in respect of ‘Dimapur to Niuland road (28 km)’ under NLCPR executed by Dimapur Division revealed that an amount of ₹69.20 lakh was deducted³ from the contractor’s bill on account of contingency (6 *per cent*) and ₹10.00 lakh on account of departmental work on Niuland road. Of this, an amount of ₹19.36 lakh was spent on purchase of three vehicles and ₹10.00 lakh was paid to SDO Road-II against the work “Construction of Nihikhu Village church road (metalling and carpeting)”. The

³ From Mobilisation advance paid to the contractor vide Vr. No.3 dated 18.10.2010.

expenditure or otherwise of the balance amount of ₹49.84 lakh⁴ could not be verified in the absence of records.

It was however, noticed that except for consultancy charge of 2.50 per cent (₹71.73 lakh) no provision for contingency was included in the DPR prepared for a total amount of ₹29.41 crore. Work order had also been awarded (24 August 2010) to the contractor⁵ for value of work amounting to ₹29.41 crore.

As the amount sanctioned and released was based on the actual quantum of work to be executed diversion of ₹79.20 lakh had adversely impacted the execution of the work and was in violation of NLCPR Guidelines.

3.1.9 Works/Project Management

3.1.9.1 Lack of transparency and competitiveness in award of works

The award of public contract through open tender is to ensure transparency in public procurement to maximise economy and efficiency in public procurement, to promote healthy competition among tenderers to provide for fair and equal treatment to all the tenderers and to eliminate irregularities interference and corrupt practices by authorities concerned. Further as per NLCPR/NEC guidelines the State Government should ensure that tender has been called on competitive basis by giving wide publicity in print media and website.

It was seen that the process of awarding works especially for major projects, executed by the various divisions is centralised in the Office of the CE PWD (R&B).

Deficiencies noticed in the process of tendering and awarding of works are discussed in the paragraphs that follow:

(i) Construction of T Beam Girder Double Lane Bridge of IRC Class 'A' over river Dzu-u on Rusoma to Kijumetouma road' under NLCPR (Chiephobozou Division) – (Estimated cost: ₹5.44 crore)

Notice inviting tender was not floated and the work was allotted to 'M/s Tachu & Co.' on the basis of a letter (15 January 2009) received from the Government of Nagaland Works & Housing Department. There was nothing on record to justify allotment of work without floating tender as required under NLCPR guidelines. Thus, sanctity of tendering process was violated.

(ii) Up-gradation of Dimapur-Niuland road (28 km) under NLCPR (Dimapur Division) – (Estimated cost: ₹29.41 crore)

Notice inviting tender was issued (17 August 2010). Two bids⁶ were received (21 August 2010) and the work was allotted (24 August 2010) to L-1 after just six days. There was no evidence that the NIT was given wide publicity as required under rules. The time given

⁴ ₹69.20 lakh-₹19.36 lakh

⁵ M/s National Constructions Dimapur

⁶ (i) National Construction at par with SOR NPWD 2008 (L 1) and (ii) M/s M.S. Panesar and Sons at two per cent above SOR NPWD 2008 (L 2).

for submission of bids was only six days till 23 August 2010 which is a clear violation of Central Vigilance Commission (CVC) guidelines which stipulates that 4-6 weeks time should be given to ensure fair and adequate competition. It was further seen that the partners of the above two firms are one and the same as seen from their partnership deeds. Thus, it is evident that the bidding process was not transparent and against the basic principles of competitive bidding. This fraudulent practice was facilitated due to the Department's failure in enforcing Rule 12 of the 'Nagaland (PWD) Registration of Contractors Rules 1966' which requires contractors to certify that they will not get themselves registered under more than one name.

(iii) Improvement & upgradation of road from Longkhum via Mangmetong-Aliba (35 km) under NLCPR (Mokokchung Division)-(Estimated cost: ₹15.63 crore).

Notice inviting tender was floated (2 March 2006) for the work (approx cost: ₹15.63 crore). Two bids⁷ were received and the work was awarded (20 March 2006) to the L1.

It was seen from records made available in the CE's office that the value of work order (CE/R&B/NLCPR/2005-06 dated 20 March 2006) issued was ₹15.54 crore. Further, it was seen that as per NIT, the approx. value of work was ₹15.63 crore. The contractor had also submitted tender for the estimated value of ₹15.54 crore. However, it was seen in the division that value of work was ₹16.88 crore on the work order of same No. and date. It could not be clarified as to how the value of work in the work order sent to Mokokchung Division was inflated by ₹1.34 crore⁸.

Thus, it is evident that the value of work order amounting to ₹15.54 crore, was inflated to ₹16.88 crore without any basis thereby leading to an additional expenditure of ₹1.34 crore.

The Department, in reply (24 February 2012) stated that the revised work order was issued for an amount of ₹16.88 crore. But, the fact remains that the order No. and dates were the same.

(iv) Upgradation of road from Construction of road from Phek to Chozuba (44.36 km) under NLCPR (Phek Division)-(Estimated cost: ₹17.46 crore).

Notice inviting tender for the work was issued (4 December 2007) inviting bids from registered Class I PWD/CPWD/MES contractors. It was seen from the comparative statement that three bids⁹ were received and the work was awarded (15th December 2007) to the lowest bidder 'M/s K.K.Chire & Co.'. However, the registration numbers of the 2nd and 3rd bidder was not mentioned in the comparative statement furnished. The original tenders received were also not on record. Therefore, it seems doubtful if they were qualified to bid for the work.

⁷ (i) Prakash & Co. (L 1) @ three per cent above and (ii) M/s M.B. Panesar and Sons (L 2) @ par with SOR 2004 for NEC/NH roads.

⁸ ₹1687.79 lakh – ₹1553.64 lakh.

⁹ (i) M/s Chire & Co. at par with SOR 2005 for NEC/NH roads (ii) Thungjamo Lotha & Sons at 5% above the said SOR and (iii) M/s Zeliesshu at three per cent above the said SOR.

Further, no records that the NIT was given wide publicity in the print media and website as required under guidelines and financial rules could be furnished to audit.

The Department, in reply (24 February 2012) stated that the 2nd and 3rd parties were not qualified in the technical bid itself and that NIT was not published but placed only on the notice board due to time constraint. However, it was not clarified why these two firms were included in the financial bid if they had not qualified in the technical bid stage.

(v) Construction and upgradation of road from Old Phek via Khuza to Satakha (45 km under Phek Division and 24 km under Zunheboto Division) under NLCPR – (Estimated Cost: ₹28.32 crore).

Notice inviting tender was issued (March 2006) after splitting the work into two groups (45 km under Phek-Group ‘A’ and 24 km under Zunheboto-Group ‘B’). Two bids¹⁰ were received for work under Group A. The work was again split and work orders were issued to the two contractors¹¹.

Reasons for splitting the work after issue of NIT and awarding the work to both the tenderers were not on record.

(vi) Upgradation of Construction and improvement of Medziphema-Jalukie-Athibung Road (58.67 km) under NEC (Dimapur and Peren divisions)-(Estimated cost: ₹39.01 crore).

Notice inviting tender for the work was issued (8 January 2006) {Group A (10.41 km) with estimated cost of ₹6.50 crore and Group B (48.26 km) with estimated cost of ₹32.51 crore}. Seven regular bids¹² were received for the work under Group ‘A’ and only one bid¹³ was received for work under Group ‘B’.

The comparative statements were forwarded to the Government and the Government approved (27 January 2006) M/s Pele Khezhe for Group ‘A’ and M/s M.S. Panesar & Sons for Group ‘B’. No reasons were recorded in the comparative statement to justify award of work other than to the lowest bidder under Group ‘A’ as required under Rules.

Further, though the value of work as per work order issued (27 January 2006) by the CE PWD (R&B) under Group ‘B’ to M/s M.S. Panesar & Sons was ₹32.51 crore, the value of work was stated to be ₹42.51 crore on the work order of same No. & date furnished by Peren Division. The Department could not explain as to how the value of work in the work order sent to Peren Division was inflated by ₹10 crore from ₹32.51 crore to ₹42.51 crore.

¹⁰ (i) M/s VASCON and (ii) M/s Tectonisco both at par with SOR 2004 for NEC/NH roads

¹¹ M/s VASCON (0-23 km): ₹897.46 lakh and M/s Tectonisco (24-45 km): ₹853.42 lakh.

¹² (i) Kazeto Zhimomi (ii) M/s VASCON (iii) M/s TECTONICSCO (iv) M/s Nagaland Steel Engineering Works and (v) M/s Pele Khezhe quoting at par (vi) M/s K.Asha-o quoting at 0.5% below and (vii) M/s Trident Enterprise quoting at one per cent below SOR 2004 for NEC/NH roads.

¹³ M/s M.S. Panesar and Sons at par with SOR 2004 for NEC/NH roads.

(vii) Construction and Upgradation of Longleng-Ladaigarh road (107.36 km) under NEC (Longleng Division)-(Estimated Cost: ₹45.44 crore).

Notice inviting tender was issued (11 September 2006) after splitting the work into three groups¹⁴. Five regular bids¹⁵ were received for Group 'A' and work was allotted to N.R. Zeliang who had quoted at par with SOR 2004 for NEC/NH roads. Reasons for not allotting the work to L-1 was not recorded in the comparative statement as required under Rules.

Four regular bids¹⁶ were received for Group 'B' and work was allotted to M/s L.Pukhato Shohe. Reasons for not allotting the work to the L-1 was not recorded in the comparative statement as required under Rules.

Five regular bids¹⁷ were received for Group 'C' and work was awarded to M/s Chabou & Co. Reasons for allotting the work to M/s Chabou & Co. when all the bids were at par with SOR 2004 were not on record.

The Department, in reply (24 February 2012) stated that the work was allotted as per the evaluation of the technical and financial bids. However, it has been recorded in the comparative statement that all the tenderers have qualified in the technical bids.

3.1.9.2 Grant of improper escalations/deviations to contract amount

(i) Upgradation of Construction and improvement of Wokha-Merapani Road (60 km) under NEC (Wokha Division):

It was observed that the value of work as per work order issued (3 October 2006) to M/s M.S. Panesar & Sons was ₹38.82 crore as evident from the records in the Office of the Chief Engineer PWD (R&B).

A corrigendum was issued (15 June 2009) by the CE, PWD (R&B) stating that work order (3 October 2006) amounting to ₹38.82 crore awarded and executed by M/s M.S. Panesar & Sons has been enhanced to ₹69.95 crore as per the actual execution of work and considering the conditions during execution. No records/correspondence from the contractor or from Wokha Division on the basis of which this escalation was allowed was furnished to audit. It was further noticed that the total value of work done till 15 June 2009, as recorded in the Measurement Books was ₹25.33 crore and payment made there against was ₹24.21 crore. Thereafter entries were made in a separate Measurement Book for value of work done amounting to ₹32.41 crore and payment of ₹12.64 crore¹⁸ was made. The balance amount of ₹19.88 crore has been shown as withheld. The work purported to be done was exclusively 'Excavation of soil in hilly area by mechanical

¹⁴ Group A (0-36 km): ₹1350 lakh, Group B (36-72 km): ₹1350 lakh and Group C (72 to 107.36 km): ₹1330 lakh.

¹⁵ (i) Vilelie Khamo (ii) N.R. Zeliang (iii) K.C. Angami (iv) M/s VASCON at par and (v) M/s PABSCON (L-1) at 5 per cent below SOR 2004 for NEC/NH roads.

¹⁶ (i) M/s Panesar and Sons (ii) M/s L.Pukhato Shohe (iii) M/s Nagaland Engineer & Steel Works at par and (iv) M/s VASCON at 2.1 per cent below SOR 2004 for NEC/NH roads.

¹⁷ (i) M/s VASCON (ii) United Brothers (iii) L.Pukhato Shohe (iv) M/s Nagaland Steel Engineering and (v) M/s Chabou & Co. at par with SOR 2004 for NEC/NH roads.

¹⁸ ₹6 crore and ₹6.54 crore vide Cheque Nos.652838 and 652839 dated 26.08.2009

means including cutting & trimming of slopes' all along the stretch of 60 km which was not envisaged in the DPR/working estimates. This major deviation in earthwork was also not anticipated till October 2008 when extension of time was allowed by another one year. It also indicates that DPR was not prepared based on all the inputs required for planning.

Work order (3 October 2006) stipulated that the work should be completed within 24 months from the 7th day of the issue of work order or from the date of actual commencement whichever is earlier. The work commenced on 7 October 2006 and as such the stipulated date of completion should have been 3 October 2008. Further the work order stipulated that extension of time will not be allowed. However time was extended (3 October 2008) for another year till 3 October 2009 with the stipulation that no further extension will be entertained without stating any reasons. Though it was stated in the work order that payment of escalation at the rate of 7.5 *per cent* per year will be allowed it was canceled through a corrigendum dated 1 November 2006.

It was seen from the Measurement Books that the work commenced on 27 December 2006. The date of completion as per records available in the office of the CE, PWD (R&B), Nagaland was 31 March 2011, 15 months after the extended stipulated date of completion.

Reasons for extension of time etc. could not be verified. Audit could also not authenticate the method of calculation of escalation or its genuineness in the absence of records/details. A total amount of ₹42.41 crore was also paid to the contractor as detailed in **Appendix-3.3**.

Thus not only was extension of time allowed, escalation/deviation of ₹31.13 crore was also granted. Further no records of the contractor seeking permission for deviation of work amounting to ₹31.13 crore was on record.

(ii) Improvement of road from Tuensang to Longleng (24 km) under NLCPR (Tuensang Division):

Work for the 1st 14 kms under Tuensang Division was awarded to M/s Vilelie Khamo at ₹2.81 crore. The total value of work done as per 3rd Running Account bill was ₹2.87 crore and full payment of ₹2.81 crore (limited to work order amount) was made (October 2009) to the contractor after certifying in the Measurement Book that the work had been completed as per specification. It was, however seen that a total amount of ₹3.36 crore (₹55.18 lakh above work order amount) had been paid to the contractor in 5 Running Account bills till March 2011 as detailed in **Appendix-3.4**. It was further noticed that date of completion (March 2010) was recorded in the 4th Running Account Bill though the work was certified to be in progress in the Measurement Book. In the 5th Running Account bill date of completion had been left blank and it was not mentioned whether the work was in progress or had been completed. On enquiry it was stated that the value of work order issued to the contractor had been enhanced by CE office and a copy of the original work order for ₹2.81 crore dated 24 March 2006 was furnished on the body of which the CE had recorded on 3 December 2010 that '*work order amount enhanced to*

₹410 lakhs'. Proposals/revised estimates or any other document/record sent by the EE, Tuensang to the CE on the basis of which this enhancement was allowed could not be furnished to audit.

Thus, there was little justification for the excess payment of ₹55.18 lakh to the contractor.

The Department, in reply (24 February 2012) stated that the enhancement of work value was as per actual execution at site and the proposal was approved by the competent authority. However, the fact remains that proper procedures were not followed for revision of estimates or for enhancement of the value of work.

3.1.9.3 Deviation from DPR/Estimates

(i) Upgradation of road from Rusoma to Kijumetouma (36 km) under NLCPR (Chiephobozou Division):

As per the DPR submitted to the Ministry of DoNER the work to be undertaken was upgradation of an already existing road of length 36 km at a cost of ₹22.28 crore. The proposal included strengthening of existing single lane Major District Road Rusoma to Kijumetouma covering a length of 36 km construction/reconstruction of 61 hume pipe culverts 1000 mm dia NP-3 11 slab culverts, extension of 24 hume pipe culverts retaining wall for a length of 1538 m, breast wall for a length of 368 m and pucca side drain of length 30000 m. The Ministry had issued administrative and financial approval based on the DPR/proposal at an approved cost of ₹21.85 crore along with a break-up of the project components and its approved cost. However, it was seen that a working estimate was subsequently framed wherein the road length was reduced to 26 km at a cost of ₹19.60 crore. Though the original DPR was framed for upgradation of an already existing road it was seen from the Measurement Book and during physical verification that a new road was constructed. Further, all utilisation certificates, progress reports completion certificates etc. were sent to Ministry stating the length of the road completed to be 36 km.

The deviation from items of work approved by the Ministry and the actual work executed was as shown in the **Appendix-3.5**.

As can be seen from the Appendix, excess work not envisaged in the DPR was executed. The items where excess work was executed were (i) earthwork in hill road (1.46 lakh cum=₹3.31 crore); (ii) construction of granular sub base (GSB) by close graded materials spreading in uniform thickness and rolling with Grade I metal (5862 cum=₹92.03 lakh) and (iii) providing filling behind the wall with granular materials including compacting etc (6563.94 cum=₹85.46 lakh). Similarly, some items of work were not executed fully as envisaged in the DPR. The items where works were not executed as per scope of approved DPR were (i) protection work (retaining wall and breast wall) (₹3.34 crore); (ii) hume pipe culverts (₹1.79 crore); (iii) water based macadam (Grading I & II) (₹1.36 crore) and (iv) surface dressing (PC & Seal coat) (₹1.02 crore).

(ii) Construction of T Beam Girder Double Lane Bridge of IRC Class 'A' over river Dzu-u on Rusoma to Kijumetouma road' under NLCPR (Chiephobozou Division):

There were wide variation between approved items of work and that actually executed by the division as evident from the Measurement Books as detailed in **Appendix-3.6**.

Even in the above work, excess work which was not envisaged in the DPR was executed. The items of work executed beyond the defined scope were (i) providing filter media with coarse sand and small size of gravel stones etc. (15256.91 cum=₹1.98 crore) (ii) providing staging including hire and labour charges etc. (2088 cum=₹26.10 lakh) and (iii) cement concrete in foundation with nominal mix (1:3:6) (127.75 cum=₹7.10 lakh). The items of work not fully executed as envisaged in the DPR were (i) supplying, bending, binding and laying in position of the steel reinforcement of different component in sub-structure etc. (158.60 MT =₹1.12 crore), (ii) pitching on slopes including cost & carriage of boulders with wire netting lining as per the drawing etc. (2294.92 cum=₹81.84 lakh) and (iii) M-25 grade controlled cement in rail posts, road kerbs deck slab approach slabs etc. (295.37 cum=₹23.19 lakh).

(iii) Improvement and upgradation of road from Longkhum via Mangmetong-Aliba (35 km) under NLCPR (Mokokchung Division):

It was seen that modifications were made in the working estimate after issue of the work order to the contractor. Among these, value of work for earthwork was increased by ₹60.10 lakh construction of embankment by ₹90.62 lakh and construction of hume pipe culverts by ₹27.90 lakh. Further, the estimate was modified to construct one Bailey Bridge (span) and three slab culverts at an estimated cost of ₹2.63 crore instead of RCC bridge (48 m span) with estimated cost of ₹3.10 crore.

Extra work (₹8.26 crore) was approved due to damage to the road caused by heavy rains during actual execution. The items of work where major deviations were necessitated during actual execution were stated to be excavation in soil (₹3.77 crore), construction of embankment (₹27.60 lakh), construction of granular sub base grade I (₹72.42 lakh) provision of water based macadam grade I & II (₹1.05 crore) construction of retaining walls (₹1.25 crore) and construction of hume pipe culverts (₹93 lakh).

Though the deviation estimate was stated to have been approved and work executed, no documents were made available to audit to show that approval was obtained from the competent authority. This major variation/deviation in the scope of work indicates that the original estimate/DPR was defective and not prepared based on actual work to be executed.

(iv) Upgradation of road from Construction of road from Phek to Chozuba (44.36 km) under NLCPR (Phek Division):

Scrutiny of the DPR sent to MoDONER, approved project components and approved cost (contained in the administrative and financial approval) and three Running Account bills revealed that work was not executed as per the DPR or the project components approved by the Ministry. The deviation from items of work approved by the Ministry and the actual work executed was as shown in the **Appendix-3.7**.

As can be seen from the Appendix, earthwork in excavation was done for an amount of ₹5.30 crore though this component was not included in the DPR approved by the Ministry. Likewise, construction of earthen shoulder with approved materials not envisaged in the DPR was executed for an amount of ₹49.74 lakh.

Further, there were major deviations (increase) amounting to ₹46.63 lakh in the protection works (retaining walls and breast walls) and ₹44.05 lakh in cross drainage works (hume pipe and slab culverts).

These major deviations, especially earthwork in excavation, resulted in a major portion of the project remaining incomplete after an expenditure of ₹14.93 crore¹⁹. The deviation in earthwork became necessary as the original DPR approved by the Ministry was erroneous as the existing width of the road was shown as 6 m while the actual width was only 3 to 4 m. MoDONER had also rejected a subsequent proposal of the State Government to revise the DPR on this ground. It is, thus evident that the original DPR of the work was prepared without proper survey and investigation.

(v) Construction and upgradation of road from Old Phek via Khuza to Satakha (24 km under Zunheboto Division) under NLCPR:

The deviation from items of work envisaged in the working estimate and the actual work executed as per the Measurement Books was as shown in the **Appendix-3.8**.

It could be seen that major deviations were in earthwork (excess quantity: 160568 cum and excess amount: ₹2.61 crore) furnishing and laying of live sods of perennial turf forming grass on embankment slopes (excess quantity: 83167.28 sqm and excess amount: ₹39.41 lakh) construction of granular sub base (excess quantity: 7595.48 cum and excess amount: ₹59.86 lakh) and providing and laying water based macadam grade II (excess quantity: 3799.43 cum and excess amount: ₹44.36 lakh).

The works not fully executed as envisaged in the estimate were construction of hume pipe culverts (less quantity: 32 Nos and less amount: ₹76.19 lakh) and construction of retaining walls (less amount: ₹2.50 crore). Further construction of embankment with approved materials (quantity: 45634.99 cum and amount: ₹58.49 lakh) contained in the estimate was not executed at all. Bituminous work for only around 12 km out of the 24 km was executed as per measurement recorded in the Measurement Book.

The item of work 'Furnishing and laying of live sods of perennial turf forming grass on embankment slopes' was shown as executed for 96000 sqm at a cost of ₹45.48 lakh. The division could not clarify why this work was necessary considering the fact that no embankments were constructed.

50 hume pipe culverts (900 mm) at a total cost of ₹1.03 crore (excluding cost of hume pipes to be supplied by the department) was to be constructed as per the Estimate. However, only 18 hume pipe culverts were shown as constructed at a cost of ₹26.87 lakh {including cost of 135 metres (54 hume pipes) amounting to ₹11.12 lakh}. A separate

¹⁹ 95 per cent of the value of work order i.e. ₹15.78 crore.

supply order was issued (24 March 2006) to a supplier²⁰ for an amount of ₹30.26 lakh for supply of 147 (367.5 metres) hume pipes (900 mm) at ₹8233.89 per metre. The materials were certified to have been received in full and directly issued to work. Payment of ₹30.26 lakh was also made (31 March 2007) to the supplier. Thus, it is evident that hume pipes procured against this work were not used. The division could also not clarify the as to how the hume pipes were utilised.

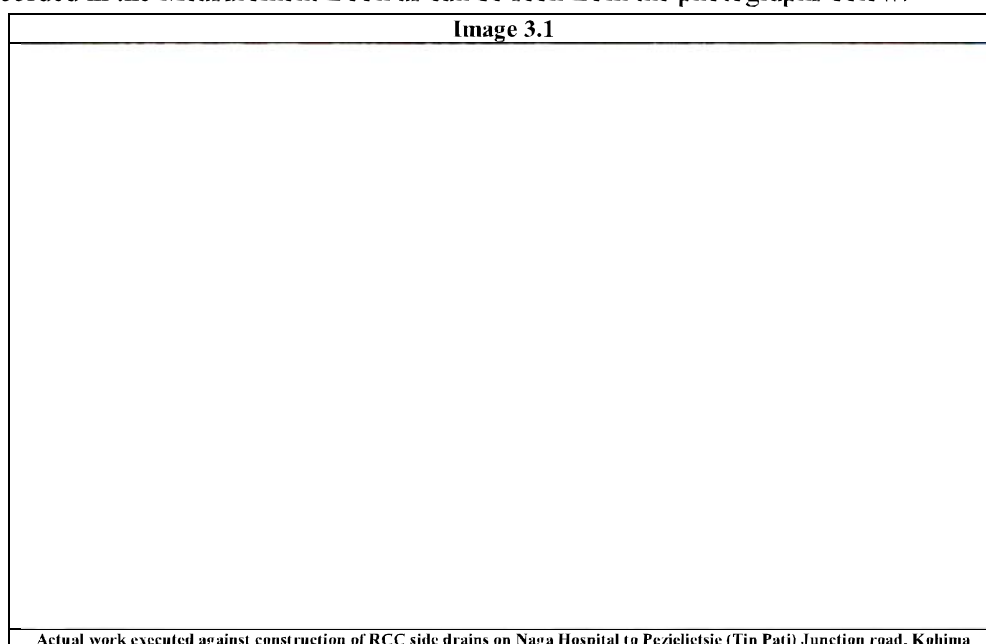
The Commissioner & Secretary stated during exit conference (21 February 2012) that grant of escalation/deviation from DPRs was due to inaccurate DPRs.

3.1.10 Payment made on fictitious measurements

(i) Reconstruction of Old road from Naga Hospital to Pezielietsie (Tin Pati) Junction, Kohima (3 km) under State Plan

Scrutiny revealed that the work “RCC side drain for 2.200 km” was taken up under Phase II of the project. As per the Measurement Book, work commenced on 10.10.2009 and was completed on 09.02.2010. It was recorded in the Measurement Book that the work was carried out as per drawing and technical specification for 1500 m²¹. Accordingly, payment of ₹18.52 lakh was made to the contractor on first and final bill (27 April 2010).

However, during joint physical verification, side drains were not visible in a major portion of the road and wherever it was visible; it was not as per the measurements recorded in the Measurement Book as can be seen from the photographs below:



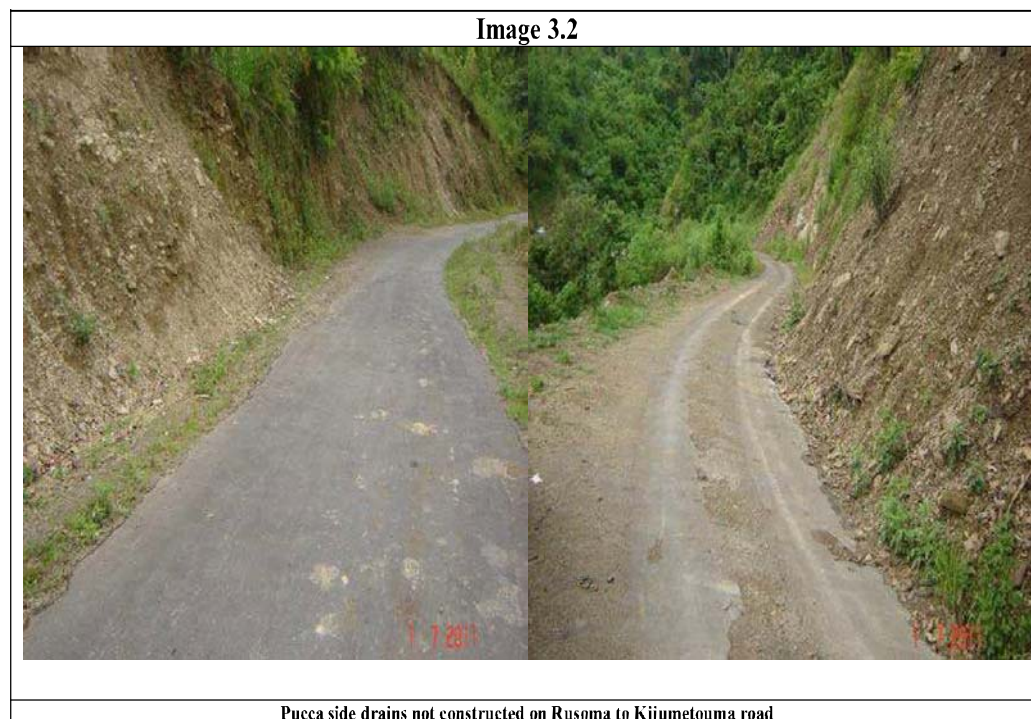
Payment was thus made to the contractor based on fictitious measurements as well as without proper verification of work.

²⁰ Hekhuvi Sema, Dimapur

²¹ Earthwork –0.90 m (top) and 0.53 m (bottom); PCC 1:3:6 in foundation (1.45 x 0.15) and 100 mm stone soling (0.98 x 0.10)

(ii) Upgradation of road from Rusoma to Kijumetouma (36 km) under NLCPR (Chiephobozou Division):

Though measurement was recorded in the Measurement Book and payment of ₹4.74 crore made for construction of pucca side drains, no evidence of this being actually executed could be seen during joint physical verification as can be seen from the photographs given below. Further, though it was seen from the Measurement Book that payment of ₹2.67 lakh was made for retro reflectorised traffic signs, none was noticed during physical verification. It was also seen that the total length of the road is only around 25 kms whereas measurements had been recorded and payments made for 26 km.



Thus, ₹4.77 crore was paid to the contractor²² on the basis of fictitious measurements recorded in the Measurement Book.

(iii) Construction and upgradation of road from Old Phek via Khuza to Satakha (24 km under Zunheboto Division) under NLCPR:

The components of work 'water based macadam grade III' (4055.62 cum at a cost of ₹53.32 lakh) and 'Furnishing and laying of live sods of turf forming grass' (96000 sqm at a cost of ₹45.48 lakh) recorded in the Measurement Book as executed was not evident during physical verification as can be seen from the photographs given below.

²² M/s T. Tachu & Co.



Thus, ₹0.99 crore was paid to the contractor on the basis of fictitious measurements recorded in the Measurement Book.

(iv) Upgradation of road from Phek to Chozuba (44.36 km) under NLCPR (Phek Division):

During physical verification (24 October 2011), it was noticed that unlined surface drains were constructed instead of pucca side drains shown as executed in the Measurement Book as can be seen from the photographs below. Payment of ₹4.15 crore was also made to the contractor against construction of pucca side drains.



Thus, ₹4.15 crore was paid (17 March 2008) to the contractor²³ for work not executed but on the basis of measurements recorded in the Measurement Book.

²³ M/s K.K. Chire & Co.

The Chief Engineer, PWD (R&B) while accepting the facts during exit conference (21 February 2012) stated that these adjustments became necessary during actual execution due to practical difficulties. However, the fact remains that fabricated/false entries were made in the Measurement Books and payments made on that basis.

3.1.11 Excess payment to contractor

(i) Reconstruction of Old road from Naga Hospital to Pezelietsie (Tin Pati) Junction, Kohima (3 km) under State Plan

The work “Construction of water based macadam & bituminous work-0 to 3.00 km” was taken up under Phase III of the project at an estimated cost of ₹1.42 crore. The work was split into three and allotted to two different contractors²⁴.

(a) 0 to 1 km: As per the Measurement Book, the work commenced on 18.10.2010 and was completed on 15.12.2010. It was seen from the measurements that the width of the road ranged between 7.20 m to 7.50 m. Payment of ₹40.23 lakh was also made (16 December 2010) to the contractor on first and final bill on the basis of measurements recorded in the Measurement Book.

(b) 1 to 2 km: As per the Measurement Book, work commenced on 18.10.2010 and was completed on 16.12.2010. It was seen from the measurements that the width of the road ranged between 7.45 m to 8.40 m. Payment of ₹40.23 lakh was also made to the contractor (16 December 2010) on first and final bill on the basis of measurements recorded in the Measurement Book.

(c) 2 to 3 km: As per the Measurement Book, work commenced on 18.10.2010 and was completed on 15.12.2010. It was seen from the measurements that the width of the road ranged between 7.30 m to 7.70 m. Payment of ₹41.01 lakh was also made (16 December 2010) to the contractor on first and final bill on the basis of measurements recorded in the Measurement Book.

It was, however, seen during joint physical verification that the width of the road (carriage way) in a major portion of the road was between 5m to 6m and in some portion 4 m to 5 m (especially between 1.40 km and 2.00 km where even the formation width was not more than 5.5m to 6 m). Further, the said work was not completed in several sections of the road as can be seen from the photographs below.

²⁴ 0 to 1 km & 1 to 2 km—M/s Mhalelie Dzuvichu and 2 to 3 km—M/s N.D. & Co.



Thus, excess payment was made to the contractor on the basis of fictitious measurements recorded in the Measurement Book.

The Department, in reply (24 February 2012) stated that the width of the whole stretch of the road was variable (5 m to 10 m) and average width was taken for preparing estimates, executing works and payment made as per work done and hence no excess payment was made. Laid down procedures were not followed however, for measurement of actual work done. As a result, excess measurements were recorded in the Measurement Books and payments made accordingly.

(ii) Upgradation of Construction and improvement of Medziphema-Jalukie-Athibung Road (58.67 km) under NEC (Peren Division).

Scrutiny of Measurement Book in respect of the work revealed that 3283.75 m³ being quantity of work in respect of the work 'providing, laying, spreading & compacting stone aggregates of specifications grade III 1st layer' from 22 to 31 km was brought forward to the next page and added twice to the total quantity of work which inflated the quantity of work executed on this item of work by 3283.75 cu.m²⁵. This resulted in excess payment of ₹43.18 lakh²⁶. Further, the same quantity has been repeated for the item of work 'providing, laying, spreading & compacting stone aggregates of specifications grade III 2nd layer' thereby inflating the quantity of work executed by 3283.75 m³. This resulted in excess payment of ₹43.18 lakh. Consequently, there was excess payment on the item of work 'Extra carriage of broken stone aggregate 63 mm' amounting to ₹50.32 lakh²⁷.

²⁵ 7330.14 m³ – 4046.39 m³

²⁶ 3283.75 m³ (excess quantity) x ₹1314.96 (rate)

²⁷ 3283.75 m³ (excess quantity) x 2 (two layers) x ₹766.17 (rate)

Thus, the total excess payment on this account made to the contractor²⁸ was ₹1.37 crore²⁹.

(iii) Construction of new approach road for Tuensang town (9.350 km) under Urban Development (Tuensang Division)

Scrutiny revealed that excess payment of ₹0.50 crore was made to the contractor³⁰ against earthwork for an already existing portion of the road (2.60 km from NH upto Ngangpong Village). Though payment of ₹1.55 crore was made to the contractor against water based macadam (grade I, II and III) works for the whole stretch of the road (9.350 km), it was seen during physical verification that water based macadam (grade III) had been provided for only around 3.60 km of the road resulting in excess payment of ₹0.24 crore for 5.75 km. Further, though payment of ₹0.24 crore was made against bituminous work for 4 km, the said work was completed for only 1.60 km resulting in excess payment of ₹0.14 lakh. Though payment of ₹0.41 crore was made for 7 slab culverts, it was seen that only 5 culverts were constructed resulting in excess payment of ₹0.12 lakh. Thus, a total amount of ₹1 crore (approximately) was paid to the contractor for work not executed. The condition of the road (16 September 2011) and the quality of work executed by the contractor can be seen from the following photographs.



²⁸ M/s M.S. Panesar & Sons.

²⁹ ₹43,18,000 + ₹43,18,000 + ₹ 50,31,821

³⁰ P.Apong Chang

(iv) Construction of road from Noklak to Thonoknyu via Sanglao (14.54 km) under NLCPR (Tuensang Division):

Scrutiny of Measurement Book revealed that payment of ₹2.44 crore was made to the contractor³¹ against water based macadam (grade I, II & III) works for the whole stretch of the road i.e., 14.54 km. It was, however, seen during physical verification (17 September 2011) that this item of work was completed only for the first 6 km as can be seen from the following photographs.



Thus, an excess payment of ₹1.36 crore³² (approx.) was made to the contractor on the basis of fictitious measurements recorded in the Measurement Book.

The Department, in reply (24 February 2012) stated that the specification of the road was changed from Other District Roads (ODR) to Major District Roads (MDR) due to pressure from the public. However, this does not justify recording of work not executed in the Measurement Books and making payment on that basis.

The Commissioner & Secretary stated during exit conference (21 February 2012) that excess payment made, if any, will be recovered.

3.1.12 Doubtful execution/duplication of work

Scrutiny of records related to the work 'Upgradation of Dimapur-Niuland road (28 km)' under NLCPR executed by Dimapur Division revealed that work order was awarded (August 2010) to a contractor³³ with the stipulation to complete the work within 18 months. As such the due date of completion of work was February 2012.

It was, however, seen that work valued at ₹22.53 crore (more than 75 per cent of the total work) was stated to have been completed in March 2011 and payment of ₹11.00 crore

³¹ T. Tachu & Co.

³² 8.54 km x ₹ 0.16 crore.

³³ M/s National Constructions, Dimapur

(Total payment: ₹21.74 crore including mobilisation advance of ₹10.74 crore paid in October 2010) was released (31 March 2011) to the contractor. It was seen during joint physical verification (19 June 2011) that the remaining works had also been completed.

Further scrutiny revealed that same works envisaged in the DPR had been taken up and completed during December 2000 to April 2005 under NLCPR for 11 km (7th, 8th, 9th, 10th, 11th, 12th, 18th, 19th, 20th, 21st and 22nd Km) at a total cost of ₹14.21 crore. and a completion certificate was issued (22 April 2009) by the EE, Dimapur Division stating that "Upgradation of Dimapur-Nuiland Road' under NLCPR had been completed during April 2005.

The division could not clarify as to how works taken up and completed during 2000-2005 was again included in the project sanctioned in 2010.

The Commissioner & Secretary stated during exit conference (21 February 2012) that the road was taken up in 2005 to be executed as per ODR norms, but the actual execution was as per MDR norms at a higher cost. He further stated that MoDONER had not agreed to additional funds at that stage and that a new DPR was submitted in 2010 to meet the liabilities incurred for the previous work.

3.1.13 Results of Joint verification of projects

Joint verification of selected major projects executed under NLCPR and NEC was carried out by the Audit Party along with the departmental officers. The results of joint verification are summarised in the following paragraphs.

(i) Upgradation and improvement of Medziphema-Jalukie-Athibung Road (10.41 km) under NEC (Dimapur Division):

The road from Medziphema junction to Peren District gate (11 km approx) was jointly verified by the audit party alongwith the SDO and JE, Medziphema Sub-Division. The physical verification was carried out with reference to the DPR/Working Estimate produced to audit as only one Measurement Book out of two was furnished. Though all the 53 hume pipe culverts as envisaged in the DPR/working estimate were physically present, 49 of them were below specifications (750 mm instead of 1000 mm) provided in the DPR. It could, therefore, not be confirmed whether all these culverts were pre-existent or were constructed under the project.

The RCC slab culvert at 5.700 km near the entry point at Socunoma Village (Span-4.10 m and height-3.20 m) had been left incomplete and the earlier 1000 mm hume pipes (2 Nos.) were still in place as can be seen from the photograph. However, it was seen that measurements in the Measurement Book had been recorded as per specifications in the DPR and payment of ₹6.63 lakh against this item of work was made to the contractor³⁴.

³⁴ M/s Pele Khezhi

Image 3.8



Incomplete RCC slab culvert at Socunoma village on Medziphema-Jalukie-Athibung road

It was further seen that the condition of the road completed in 2008 was deplorable, especially in stretches passing through villages as can be seen from the photographs below.

Image 3.9



Condition of Medziphema-Jalukie-Athibung road

(ii) Construction and Upgradation of Longleng-Ladaigarh road (107.36 km) under NEC (Longleng Division):

On joint physical verification of a portion of the project alongwith the SDO, Longleng Division, it was observed that the portion from zero point to the police check gate (approximately 6 km) was part of the already existing Longleng-Changtongya road (taken up for widening under Special Accelerated Road Development Programme-North East). It was seen that formation cutting had not been completed in several places especially in rocky portions though it was seen from the Measurement Books that around 3.34 lakh cubic metres of formation cutting had been shown as done and payment of ₹3.63 crore had been made in 7 Running Account bills to the contractor. It was also seen that the road surface in the verified portion was poor, slushy and hardly motorable at several places. Further, water based macadam (grade II and III) work valued at ₹1.68 crore was recorded

as done and payment made to the contractor. However, the same was not visible in most stretches. Further, even water based macadam grade I was not seen in several stretches. The condition of the road (9 September 2011) can be seen from the photographs below:



The Department accepted the facts during exit conference (21 February 2012) and stated that corrective action will be initiated.

3.1.14 Monitoring

As per NLCPR/NEC Guidelines, the State Government/Department was to submit quarterly progress reports in respect of each project. The Chief Secretary of the State was to hold quarterly meetings to review the progress of implementation of the ongoing projects under NLCPR and make available summary record of such meetings to the Ministry of DoNER. The State was to carry out project inspections periodically and their findings incorporated in the quarterly review report. The State was also required to nominate a 'nodal officer' for each project who would be responsible for project implementation and monitoring. Further, monitoring and evaluation of implementation of the project was to be undertaken through field inspections by officers of the Ministry of DONER, as well as through impact studies, social audits and evaluations conducted by Government or through independent agencies at the request of the Ministry (DONER). The State Government was also required to ensure that the data entry of the progress of the project starting from the submission of the priority list by the State Government upto the completion of the project shall be made by the designated officials of the State

Government on the online data entry Management Information System (MIS) already in vogue.

Most of the quarterly progress reports in respect of the selected works were either not available in the divisions or where available not maintained properly and in chronological order. The same were also not available in the respective files of the projects in the office of the Chief Engineer. There were no records to show that the Chief Secretary had conducted quarterly meetings to review the implementation of projects. There was also no evidence that nodal officers were nominated for each project. Further, records of field inspections by officers of the Ministry of DoNER, impact studies, social audits or evaluations conducted by the State Government or independent agencies could not be furnished to audit.

Thus, audit could not verify the existence of effective monitoring and evaluation mechanism in the Department.

The Department in reply (24 February 2012) stated that the Executive Engineers of the concerned divisions were nominated as nodal officers for NLCPR projects under them.

The Commissioner & Secretary stated during exit conference (21 February 2012) that though meetings were not conducted in every quarter, regular meetings were taken by the Chief Secretary.

3.1.15 Internal control

Internal controls in a department are intended to give reasonable assurance that its operations are carried out according to laid down rules and regulations in an economic, efficient and effective manner. A built-in internal control system and adherence to codes and manuals minimise the risk of errors and irregularities and help the department to achieve its objects with optimum use of its resources.

3.1.15.1 Non maintenance/production of records

Maintenance of various control registers in accordance with regulations is an important element of internal control structure. The registers including subsidiary registers are to be maintained in prescribed format. Maintenance of records in most of the divisions test-checked, especially Dimapur Division was poor. The divisions were not maintaining separate files for various works under various schemes/projects. The files furnished to audit contained loose papers kept in a disorganised manner without notes. Analysis of the selected major works could not be carried out completely due to non-production of necessary records/information despite requisition and several subsequent reminders. Further, several vital records, essential for efficient functioning of a working division, are not being maintained at all. The deficiencies in maintenance of records noticed in the divisions are discussed below:

(i) **Cash Book:** As per rules, an entry once made in the Cash Book can, in no circumstances, be erased. If a mistake is discovered before Cash Book is closed, it should be corrected by drawing the pen through the incorrect entry and inserting the correct entry in red ink between the lines. The disbursing officer should initial every such correction

and invariably date his initials. If the accounts of the month have been closed, no corrections of errors in amount, classification or name of work, should be made in that book but a transfer entry should be prepared for the necessary correction, a suitable remark in red ink being recorded against the original entry in Cash Book. It was, however, seen in most of the divisions test-checked that many entries in the Cash Book maintained by the division had been erased using correction fluid and several cases of overwriting were noticed.

Further, the actual balance of cash in each chest should be counted on the last working day of each month i.e., immediately after closing the cash account of the month. The details of actual balance should be recorded and a certificate of the count of cash, specifying both in words and figures should be recorded below the closing entries of the month. It was noticed that monthly closing or analysis of cash balance was not being done regularly in any of the divisions test-checked.

(ii) **Register of Works:** Register of works which indicates the permanent and collective record of expenditure incurred in the division during a year on each work is not being maintained in any of the divisions test-checked. Thus, audit could not ascertain the actual number of works carried out and expenditure incurred thereon.

(iii) **Works Abstract:** Work Abstract is to be maintained wherein the details of cash, stock and other charges on each work should be recorded and payments to contractors, payments to labourers and issue of material from stock should be posted separately for every work. It was, however, seen that Works Abstract is not being prepared in any of the divisions test-checked, except in Tuensang Division, where an abstract is prepared in rudimentary form and attached to the Monthly Accounts.

(iv) **Contractor's Ledger:** Contractor's Ledger containing running account with each contractor showing payment and recovery of advances paid, materials issued and amounts due for the value of work done is not being maintained. Therefore, payments made to each contractor, deductions and balance, if any, could not be verified by audit.

(v) **Register of sale of tender forms:** None of the divisions test-checked are maintaining Register of sale of tender forms. Sale proceeds, if any, was neither accounted for in the Cash Book nor deposited into Government Account as stipulated by Rules.

(vi) **Register of revenue:** As per rules, all revenue receipts of the division should be classified and abstracted in a Register of Revenue (Form 46) maintained in the divisional office. However, it was seen that none of the divisions test-checked were maintaining Register of Revenue in the proper format. Audit could, therefore, not make an accurate assessment of the revenue collected by the divisions or their timely deposit into Government Account.

(vii) **Issue and Movement Register of Measurement Books:** As per NPWD Code, all the Measurement Books belonging to a division should be numbered serially and a Register of Measurement Books should be maintained. A separate Movement Register of Measurement Books should also be maintained to watch the receipt and issue of Measurement Books. Further, on completion of measurements Measurement Books

should be returned to the divisional office and Measurement Books no longer in use should be promptly withdrawn even though not completely written up.

Register of Measurement Books and Movement Register of Measurement Books was not being maintained in most of the test-checked divisions. In the divisions where they are maintained, they were not updated and several Measurement Books were not entered. Further, it was seen that several Measurement Books relating to completed works were kept in the custody of sub-divisions or JE's/SO's in violation of codal provision.

3.1.15.2 Writing up of Measurement Books

According to NPWD (Para 325) no entry in the measurement book shall be erased or overwritten. If a mistake is made, it should be corrected by crossing out the incorrect words or figures and inserting the correction, the correction thus made shall be initialed and dated by the officer recording/checking measurements. Scrutiny of Measurement Books in respect of selected works in the divisions revealed several deficiencies. Major deficiencies noticed are detailed below.

(i) Upgradation of Construction and improvement of Medziphema-Jalukie-Athibung Road (58.67 km) under NEC (Peren Division):

It was seen that corrections have been done in Measurement Books (No.PRN/758, PRN/759 and PRN/828) on several occasions by overwriting and using correction fluid. In Measurement Book No.PRN/758--for location, 46-47, 47-48 and 56.57, the work executed for the item of work 'excavation in soil in hilly area by mechanical means including cutting & trimming of slopes' had been changed from hilly soil/ordinary rock to hard rock by overwriting in the Measurement Book. As the rate for hard rock is ₹1044.50 against the rate of ₹105.57 for hilly soil and ₹159.54 for ordinary rock, excess payment on this account cannot be ruled out.

(ii) Construction and Upgradation of Longleng-Ladaigarh road (107.36 km) under NEC (Longleng Division): Scrutiny of Measurement Books pertaining to work executed under Group 'A', 'B' and 'C' revealed that work orders were issued to the three contractors as per SOR 2004, without clearly stating whether SOR 2004 of NPWD or SOR 2004 (NH & NEC Road Work in Nagaland). It was noticed that the rates followed for the same items of work were different for different groups and in some instances within the group as well. This had resulted in excess and less payment. Reasons for fluctuations in the rates applied across groups and even between different Running Account bills of the same group could not be clarified.

Further, 'Abstract of measurements' as required had not been prepared after each and every Running Account Bill in respect of work executed under Groups 'B' and 'C'. The value of each individual work had been recorded against the original measurement itself and totaled to work out the value of work as per each bill. The value of work executed in the previous bills had also not been brought forward and recorded in the subsequent Running Account bills. All the Running Account Bills of Group 'B' and 'C' had been entered as in the case of 'First and Final Bills'. A lot of errors had crept in while working

out the value of work and payment to be made which had not been subsequently corrected resulting in excess payment of ₹17.93 lakh as shown below:

- a) An amount of ₹1,50,000 was paid in excess to the contractor due to error in calculation of amount already paid. This was due to ₹1,50,000/- paid on 15 May 2008 not being included in working out previous payment.
- b) An amount of ₹9,50,000 was paid in excess to the contractor due to error in calculation of amount already paid. This was due to ₹9,50,000/- paid on 19 May 2011 not being included in working out previous payment in the 10th RA bill.
- c) An amount of ₹5,43,195 was paid in excess to the contractor due to error in calculation of amount already paid. This was due to ₹5,43,195/- paid on 19 May 2011 not being included in working out previous payment in the 10th RA bill.
- d) An amount of ₹1,50,000 was paid in excess to the contractor due to error in calculation of amount already paid. This was due to ₹1,50,000/- paid on 15 May 2008 not being included in working out previous payment in the 8th RA bill.

Several instances of duplicate entries and errors in calculation of quantity and value of work were also noticed for works executed under Group 'A'. As a result of these duplicate entries and arithmetical errors, an excess amount of ₹3.20 lakh had been paid to the contractor.

The Commissioner & Secretary stated during exit conference (21 February 2012) that orders will be issued to all the divisions to the effect that they shall mandatorily maintain all the vital records as suggested by audit.

3.1.16 Human Resource Management

3.1.16.1 Entertainment of staff in excess of sanctioned strength and injudicious distribution of staff among the divisions.

Scrutiny of records showing men-in-position against the sanctioned strength revealed that nine out of ten divisions selected for test check have been entertaining huge number of staff in excess over sanctioned posts in Grade III and IV categories. Appointment and posting of staff were made by the Engineer in Chief, PWD, Nagaland. The number of excess staff over sanctioned post was considerably high in the divisions located in Kohima (the capital city) and Dimapur (a commercial centre), indicating that the Department had not prescribed/formulated any mechanism for appointment and posting of staff in the divisions and that appointment of staff is not made on the basis of actual requirement at the field offices. This has resulted in injudicious distribution of staff (work force) among the divisions besides causing avoidable expenditure of ₹15.49 crore during 2010-11 on account of pay and allowances of excess staff.

The position of excess staff as on 31 March 2011, in nine out of ten divisions selected for test check was as shown below:

Table 3.15

Sl. No.	Name of the division	Period	No. of Excess staff over sanctioned strength	Expenditure on Salary of excess staff ³⁵ (₹ in crore)
1.	Wokha	4/2010 to 3/2011	70	1.18
2.	Chiephobozou	4/2010 to 3/2011	45	0.74
3.	Dimapur	4/2010 to 3/2011	318	5.14
4.	South Division, Kohima	4/2010 to 3/2011	183	2.71
5.	Mokokchung	4/2010 to 3/2011	85	1.40
6.	Zunheboto	4/2010 to 3/2011	204	3.00
7.	Phek	4/2010 to 3/2011	33	0.52
8.	Tuensang	4/2010 to 3/2011	27	0.40
9.	Longleng	4/2010 to 3/2011	25	0.40
Total:			990	15.49

3.1.16.2 Work charge establishment

According to Nagaland Public Works Department (NPWD) Code, the work-charged establishment consists of staff employed on actual execution of a specific work or of sub-work of a specific project or upon the subordinate supervision of departmental labour, store and machinery in connection with such work or sub-works. Such employees borne on cadre of fixed charges or on time scale of pay had to be discharged or redeployed on other work as soon as the concerned work gets completed.

Scrutiny of records of Chief Engineer revealed that the Department had engaged a large number of work charged employees on scale pay and on fixed pay basis, even though, construction works including repair of existing road and bridges were being taken up through contractors. The salary of WC employees were met by charging 2 *per cent* to 5 *per cent* in the estimated project cost of different Central and State schemes and deducted at source while releasing funds for the projects by the Finance Department.

The expenditure incurred on salary of WC employees for last three years is as detailed below:

Table 3.16

Year	Number of work charged employees		Expenditure on WC salary (₹ in Crore)
	Scale Pay	Fixed Pay	
2008-09	1534	5326	10.32.
2009-10	1534	5326	16.67
2010-11	1485	5151	17.99
Total			44.98

³⁵ Calculation made on the basis of Minimum of Basic Pay for one year (1-4-2010 to 31-3-2011)

Thus, engagement of a large number of work charged employees in scale pay and fixed pay basis had resulted in avoidable expenditure of ₹44.98 crore during 2008-09 to 2010-11.

The Commissioner & Secretary accepted the facts during exit conference (21 February 2012) and stated that the matter is being looked into for corrective action.

3.1.17 Vulnerability to fraud and corruption

3.1.17.1 Transfer of funds to divisions

A major portion of the funds for projects under all schemes/projects (NEC, NLCPR, State Plan, Special Plan Assistance, TFC grants for maintenance, NABARD loan etc.) are being drawn by South Division, Kohima. The funds so drawn are kept in a current bank account (CA No.10530522804 at SBI Main Branch, Kohima) operated by the division. Funds meant for other divisions are then released to the concerned divisions by cheque. CE, PWD (R&B) while authorising (December 2005) the EE, Kohima (South) division to operate the current account had instructed that a subsidiary Cash Book should be maintained for checking outflow of cash.

Mention was made regarding suspected misappropriation of ₹3.73 crore during the period from December 2008 to June 2009 in para 2.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2010 (Report 2). The Government had accepted the facts and stated that instructions had been issued banning such practice. It was, however, seen that funds meant for other divisions are still being drawn by Kohima (South) Division and transferred through cheque. Further, it was seen that there was no system to watch/monitor the transfer of funds to divisions and subsidiary Cash Book, if any, maintained for this purpose was not furnished. Some instances where funds drawn by Kohima (South) division were either not remitted or shown as remitted but not received by the concerned divisions are detailed below:

(i) Improvement & upgradation of road from Longkhum via Mangmetong-Aliba (35 km) under NLCPR (Mokokchung Division):

Out of the total amount of ₹15.86 crore released against this work, ₹15.56 crore was drawn by EE, South Division, Kohima and remitted to EE, Mokokchung. However, ₹30.61 lakh drawn by EE, South Division, Kohima against the project during 2007-08 was not remitted to EE, Mokokchung.

(ii) State Plan Funds (Zunheboto Division):

It was seen in Kohima (South) Division that an amount of ₹1.49 crore was remitted³⁶ to Zunheboto Division. However, only an amount of ₹1.19 crore was shown as received in the Cash Book, a short receipt of ₹0.30 crore. Further, an amount of ₹3 crore shown as remitted³⁷ by Kohima (South) Division to Zunheboto Division was shown as received in the Cash Book only on 31.03.2011, a gap of more than three months.

³⁶ Vr. No 79 dated 31.03.2010

³⁷ Vr. No.20 dated 13.12.2010

(iii) Funds under TFC and CMRDF (Longleng Division):

It was seen in Kohima (South) Division that a total amount of ₹1.77 crore was shown as remitted to Longleng Division (₹77.50 lakh under TFC in December 2008 and ₹99.75 lakh under CMRDF in March 2009). However, only an amount of ₹1.65 crore was shown as received in the Cash Book of Longleng Division (₹69.75 lakh under TFC and ₹94.76 lakh under CMRDF), a short receipt of ₹12.74 lakh.

3.1.17.2 Payments made without entry in Cash Book

All the divisions are operating one or more current bank accounts. It was seen, in most divisions, that the entries in the payment side of Cash Book and the debits in the bank accounts, as seen from the bank account statement furnished, do not match. Further, most of the transactions in the Cash Book could not be traced in the bank account statement as cheque numbers were not recorded against payments in most cases. Peren, Tuensang, Zunheboto and Phek divisions did not furnish their bank account statements despite requisition and several reminders. Cross-check of bank account statements and Cash Book in three other divisions revealed the following irregularities.

(i) Dimapur Division:

Cross check of Cash Book with bank account statement (A/c No.10810514455 (SBI, Dimapur, Branch Code: 72)), revealed that higher amounts than the actual debits in the bank account were shown as paid in the Cash Book (Total difference during 2010-11: ₹1.08 crore). Further, several drawals from the bank account were not entered in the Cash Book (total amount during 2010-11: ₹1.77 crore).

(ii) Longleng Division:

Cross check of Cash Book with bank account statement (A/c No. 10530526127, SBI, Kohima, Main Branch Code: 214) revealed several cases where the entries in the Cash Book did not match with the debits in the bank account. In one instance, it was seen that payment of ₹9.35 crore was shown as made in the Cash Book to four contractors against the work '*Construction and Upgradation of Longleng-Ladaigarh road (107.36 km)*' through four cheques (No.63222 dated 30.12.2009 and Nos.63223, 63224 and 63225 dated 31.12.2009). However, it was seen from the bank statement that only ₹8.82 crore had been drawn by the four contractors against these cheques. It was also seen that the balance amount of ₹0.53 crore was drawn through self cheque (No.63221 dated 19 December 2009) which was not entered in the Cash Book. Further, several drawals from the bank account were not entered in the Cash Book (Total amount during 2010-11: ₹13.47 crore).

It was further seen that a total amount of ₹5.13 crore had been credited (15.03.2011) to the account being the proceeds of fixed deposits from six different bank accounts. Thus, it is evident that funds meant for implementation of projects were diverted and parked in Fixed Deposits or other bank accounts.

(iii) Mokokchung Division:

Though most of the transactions in the Cash Book could not be traced in the bank account statement (A/c No.11361011250, SBI, Mokokchung) as cheque numbers were not recorded against payments in most cases, cross check revealed several instances where the entries in the Cash Book did not match with the debits in the bank account. It was seen that higher amounts than the actual debits in the bank account were shown as paid in the Cash Book (total difference during 2009-10: ₹1.01 crore).

(iv) Chiephobozou Division:

Cross-check of Cash Book with bank account statement (Account No.10530522791, SBI, Main Branch, Kohima) revealed that though an amount of ₹2.97 lakh was paid to a contractor through cheque (No.374272 dated 15.04.2010), an amount of ₹11.40 lakh was drawn against the cheque. Further, a total amount of ₹10.96 lakh was withdrawn from the bank account without corresponding entry in the Cash Book.

The Commissioner and Secretary stated during exit conference (21 February 2012) that orders will be issued to regulate transfer of funds as well as operation of bank accounts by the divisional officers.

3.1.18 Conclusion

Planning process in the Department was inadequate as Long Term Plan, State Action Plan or District Action Plans were not prepared resulting in lopsided planning and execution of projects. Financial Management was deficient as provision under salary head was inflated and utilised for payment of wages, traveling allowance and maintenance of vehicles. DPRs/estimates for several major projects were not based on proper survey and investigation resulting in wide deviations in the scope and cost of the work on actual execution. Several works were not executed as per DPR's/Estimates and escalation/deviation was admitted without any basis. There were delays in transfer of funds to the executing divisions, unauthorised deduction from scheme funds at source and diversion of funds in violation of scheme guidelines. Provision of rules in realisation and deposit of Government revenue were not followed in several divisions resulting in non/short realisation and non deposit/delays in deposit. Norms were not followed in the process of awarding works resulting in collusive bidding and allotment of work to bidders other than the lowest. Joint physical verification of selected projects revealed major shortcomings in execution. The existence of effective monitoring and evaluation of projects could not be established in the absence of records. Internal control was lax as several vital records were either not maintained properly as per norms or not maintained at all. Human Resource management was deficient as excess staff above sanctioned strength was entertained. Over and above this, a large number of work charged employees were deployed. The existing system for transfer of funds to the divisions was not transparent and was vulnerable to fraud and corruption.

3.1.19 Recommendations

- *Planning needs to be streamlined and DPRs/Estimates prepared after proper survey and investigation;*
- *Financial management needs to be strengthened;*
- *The procedure for awarding works needs to be streamlined and made transparent;*
- *Maintenance of records needs to be improved and standardised across divisions and vital records like Register of Works, Works Abstract, Contractor's Ledger etc., has to be introduced;*
- *The present system of transfer of funds to divisions needs to be reviewed.*